VZCZCXRO6699
PP RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHPF #0071/01 0281002
ZNR UUUUU ZZH
P 281002Z JAN 09
FM AMEMBASSY PHNOM PENH
TO RUEHC/SECSTATE WASHDC PRIORITY 0338
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUCPDOC/USDOC WASHDC
RUCPCIM/CIMS NTDB WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC 0779
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC

UNCLAS SECTION 01 OF 16 PHNOM PENH 000071

STATE FOR EAP/MLS, EB/IFD/OIA, EB/TPP/ABT, EEB/TPP/MTA, EEB/TPP/BTA
STATE PASS TO USTR/BISBEE AND WEISEL
STATE PASS TO USTDA/ROSSITER
BANGKOK FOR USAID/KISSINGER, FCS/MEYER
HANOI FOR FAS/REIDEL
HO CHI MINH CITY FOR FCS/LE

SIPDIS

E.O. 12958:N/A
TAGS: ECON EFIN EINV ELAB ETRD KIPR OPIC KTDB USTR CB
SUBJECT: 2009 Investment Climate Statement - Cambodia

REF: 08 STATE 123907

¶1. Cambodia, a developing country, began the transformation from a command economy to the free market in the late 1980s. It is now integrating into the regional and world trading framework. In 1999, Cambodia joined the Association of Southeast Asian Nations (ASEAN) and in September 2004, became a member of the World Trade Organization (WTO). On December 15, 2008 the entry into force of the ASEAN Charter brought Cambodia and other member states into a new regional legal framework. Cambodia has shown interest in participating in other international trading arrangements, including the Asia-Pacific Economic Cooperation forum (APEC).

¶2. As part of its WTO commitments to strengthen the investment climate for both foreign and domestic businesses, Cambodia committed to enact 46 new laws or regulations to address areas where existing law did not meet WTO requirements. Cambodia has been behind schedule in fulfilling its WTO commitments to pass necessary business legislation. However, the country has made progress recently, passing several significant laws in 2008, including a Law on Plant Breeder Rights and Law on Civil Aviation. In 2007, the government promulgated a Customs Law, Law on Water Resources Management, Law on Land Traffic, Law on Insolvency, and Secured Transactions Law. The government has either completed drafts of most of the remaining required laws or is waiting for their approval by the legislature. According to the Economic Institute of Cambodia, an independent think tank, the government must promulgate an additional 17 laws required by WTO accession.

¶3. Since the re-establishment of a constitutional monarchy in 1993, the economy has grown steadily. Real GDP growth averaged 8.8 percent during the 1994-2008 period. Despite dire predictions surrounding the expiration of the Multi-Fiber Agreement on January 1, 2005, through which Cambodia obtained limited duty-free access to the U.S. market for garments, the economy grew at 13.4 percent in 2005 -- the highest rate in a decade -- and in 2007 expanded by 10.2 percent. During the same period, per capita GDP grew from USD 440 to USD 590. Success in the garment, construction, and tourism sectors and good weather for agriculture generated the high growth. For 2008, the growth rate decreased to an estimated 6.7 percent, mainly as a result of decreasing garment orders, constrution projects, and tourist arrivals due to the global economic slowdown and political instability in Thailand. Per capita GDP for 2008 was USD 625.

¶4. Inflation increased sharply in 2008, as it did in many countries throughout Asia. According to the Economic Institute of Cambodia, in 2008 the inflation rate reached an estimated 22.7 percent. The rising price of fuel, depreciation of the dollar, and dramatic increase in food prices contributed to the dramatic spike. Apart

from the CPI, land prices retreated from record levels achieved at the beginning of the year, with the price of residential property in Phnom Penh decreasing by 25 percent from earlier highs, after rising by 100 percent in 2007.

¶5. Foreign Direct Investment (FDI) approved by the Council for the Development of Cambodia (CDC), Cambodia's investment approval body, has dramatically increased in recent years, with approved proposals reaching nearly USD 11 billion in 2008, compared with USD 201 million in 2004. The CDC does not have a functional mechanism to monitor implementation of projects, so it is not clear how many proposed projects are fully implemented. Nonetheless, the increase in investor interest may be attributed to increased political and macroeconomic stability, and ongoing government reforms designed to integrate Cambodia into the regional and global marketplace. Corruption has been singled out as one of the most serious deterrents to further private investment. Given inadequate private investment and poor revenue collection, Cambodia remains dependent largely on foreign donor funding for budget assistance, capital expenditure, and social services.

¶6. Since early 1999, the Cambodian government has intensified its economic reform program, a process the international financial institutions and donors encourage, participate in, and monitor closely. In recent years the government has publicly committed itself on numerous occasions to fighting corruption, pursuing good governance, and increasing transparency and predictability. This strategy is set out in phase II of the government's latest public reform effort called the "Rectangular Strategy for Growth, Employment, Equity, and Efficiency."

¶7. The government has initiated specific measures to promote

business, especially small and medium-sized businesses, by reducing costs and the time required for business registration and by establishing a number of committees for business promotion and trade facilitation.

Openness to Foreign Investment

¶8. Cambodia officially welcomes foreign direct investment. Cambodia's 1994 Law on Investment established an open and liberal foreign investment regime. All sectors of the economy are open to foreign investment and 100 percent foreign ownership is permitted in most sectors. Article 44 of the Constitution provides that only Cambodian citizens and legal entities have the right to own land. Aside from this, there is little or no discrimination against foreign investors either at the time of initial investment or after investment. However, some foreign businesses have reported that they are at a disadvantage vis-a-vis Cambodia or other foreign rivals, who engage in acts of corruption or tax evasion, or take advantage of Cambodia's poor enforcement of legal regulations.

¶9. In addition, there are a few sectors open to foreign investors which are subject to conditions, local equity participation, or prior authorization from relevant authorities. These sectors include manufacture of cigarettes, movie production, rice milling, exploitation of gemstones, publishing and printing, radio and television, manufacturing wood and stone carvings, and silk weaving. The government has issued a sub-decree restricting foreign ownership of hospitals and clinics and forbidding the employment of non-Cambodian doctors in any specialty in which the Ministry of Health considers there to be an adequate number of Cambodian practitioners.

¶10. Under a sub-decree dated September 2005, Cambodia prohibits certain investment activities, including investment in production or processing of psychotropic and narcotic substances, poisonous chemicals, agricultural pesticides and insecticides, and other goods that use chemical substances prohibited by international regulations or the World Health Organization that affect public health and the environment. Production of electric power by using waste imported from foreign countries is prohibited, as is forestry exploitation.

¶11. The privatization of state enterprises and transactions involving state property has not always been carried out in a transparent manner. In several instances, the public learned that enterprises were for sale or swap only after the government announced a sale or deal to a particular buyer.

¶12. Investor rights (investment guarantees) provided for in the Law on Investment include:

-- Foreign investors shall not be treated in a discriminatory manner by reason of being a foreign entity, except in respect to land ownership as provided for in the Constitution of the Kingdom of Cambodia.
-- The Royal Government of Cambodia shall not undertake a nationalization policy that adversely affects the private property of investors.
-- The Royal Government of Cambodia shall not fix the price of products or fees for services.
-- The Royal Government of Cambodia, in accordance with relevant laws and regulations, shall permit investors to purchase foreign currencies through the banking system and to remit abroad those currencies as payments for imports, repayments on loans, payments of royalties and management fees, profit remittances and repatriation of capital.

Conversion and Transfer Policies

¶13. There are no restrictions on the conversion of capital for investors. The Foreign Exchange Law allows the National Bank of Cambodia (the central bank) to implement exchange controls in the event of a crisis; the law does not define what would constitute a crisis. The U.S. Embassy is not aware of any cases in which investors have encountered obstacles in converting local to foreign currency or in sending capital out of the country.

¶14. The U.S. dollar is widely used and circulated in the economy. The 2008 exchange rate was stable, although slightly depreciated compared to 2007. At the end of 2008, the exchange rate was USD 1 = 4,049 riel. The government is committed to maintaining exchange

rate stability.

Expropriation and Compensation

¶15. Article 44 of the Cambodian Constitution, which restricts land ownership to Cambodian nationals, also states that "the (state's) right to confiscate properties from any person shall be exercised only in the public interest as provided for under the law and shall require fair and just compensation in advance." Article 58 states that "the control and use of state properties shall be determined by law." The Law on Investment provides that "the Royal Government of Cambodia shall not undertake a nationalization policy which adversely affects the private property of investors."

¶16. In spite of various legal protections, protection of immovable property rights is complicated by the fact that most property holders do not have legal documentation of their ownership rights. Numerous cases have been reported of influential individuals or groups acquiring property through means not entirely in keeping with the Constitution or laws. These actions are usually directed at poor people and those unable to protect their rights. Human rights NGO ADHOC reported receiving 195 land-related cases from January to August 2008. During the same period, another NGO received 51 land-related cases in Phnom Penh and 13 other provinces affecting a total of 3,275 families. If granted at all, compensation in these types of cases is usually less than the market value of the property being taken.

¶17. The Ministry of Economy and Finance is drafting a law on expropriation which will set broad guidelines on land-taking procedures for public interest purposes and define public interest activities such as construction of infrastructure projects, development of buildings for national protection and civil security,

construction of facilities for research and exploitation of natural resources, and construction of oil pipeline and gas networks.

¶18. To date, there are no known investment disputes involving government expropriation of property belonging to U.S. citizens. Up to 17 Thai businesses sustained varying degrees of damage during anti-Thai rioting in Phnom Penh on January 29, 2003. The Cambodian government pledged to compensate Thai business owners, and all of claims have been resolved.

Dispute Settlement

¶19. Cambodia's legal system is a mosaic of pre-1975 statutes modeled on French law, communist-era legislation dating from 1979-1991, statutes put in place by the UN Transitional Authority in Cambodia (UNTAC) during the period 1991-93, and legislation passed by the Royal Government of Cambodia since 1993.

¶20. Cambodian culture and its legal system have traditionally favored negotiation and conciliation over adversarial conflict and adjudication. Thus, compromise solutions are the norm, even in cases where the law clearly favors one party in a dispute. In civil cases, courts will often try conciliation before proceeding with a trial. The Ministry of Commerce is currently finalizing draft legislation to create a Commercial Court that will likely include a pre-trial mediation component. A number of draft bills are slated to be considered by the National Assembly during its fourth term (2008-2013); no date has been set for consideration of Commercial Court legislation.

¶21. Cambodia's court system is generally seen as non-transparent and subject to outside influence. Judges, who have been trained either for a short period in Cambodia or under other systems of law, have little access to published Cambodian statutes. Judges can be inexperienced and courts are often understaffed with little experience, particularly in adjudicating commercial disputes. The local and foreign business community reports frequent problems with inconsistent judicial rulings as well as outright corruption.

¶22. The Cambodian judiciary system is beginning to undergo reform. To provide the necessary background knowledge, judges and court staff from around the country are being trained by the Royal Academy for Judges and Prosecutors, which was created in 2002. In an effort to clean up the court system, the Prime Minister has announced ad hoc anti-corruption measures, including the dismissal, replacement, and transfer of judges and prosecutors. The Supreme Council of Magistracy, comprised of a president (the King) and 8 other members,

is responsible for the appointment and conduct of judges and prosecutors.

¶23. To handle specific disputes with regard to labor, the Ministry of Labor and Vocational Training established an Arbitration Council in May 2003. Basing its decision on the provisions of the Labor Law, the Council has 30 arbitrators. The Council is an independent body whose function is to resolve collective labor disputes that the Ministry is unable to solve by conciliation. The Council's decisions are non-binding but it has been very successful in reducing the number of industrial actions in the garment sector. The Council plays a vital role in contributing to the development of healthy industrial relations in Cambodia. The Council's success in the garment industry has prompted unions in other sectors, e.g., the hospitality and tourism sectors, to seek the Council's arbitration and mediation services.

¶24. Under the 2006 Law on Commercial Arbitration, a National Arbitration Center (NAC) will be established in the Ministry of Commerce. When active, parties involved in a commercial dispute that have a written arbitration agreement will be able to settle commercial disputes by means of quasi-judicial methods without involvement of the Cambodian courts. Parties will be able to select arbitrators without direct government interference. The law also allows the Cambodia Chamber of Commerce to establish its own arbitration center for disputes between members or between members

and third parties. Neither of these proposed arbitration centers has been established to date. However a sub-decree on the establishment of the National Arbitration Center is currently awaiting approval by the Council of Ministers. The Law on Commercial Arbitration also mandates recognition of arbitral awards made outside of Cambodia. Arbitration awards can be appealed to the Appellate and Supreme Court of Cambodia based on limited grounds.

¶25. Although party to the Convention for the Settlement of Investment Disputes between States and Nationals of Other States since 2005, Cambodia has not yet had any cases taken to the International Center for the Settlement of Investment Disputes.

Performance Requirements and Incentives

¶26. The Council for the Development of Cambodia (CDC), Cambodia's foreign investment approval body, administers a package of investment incentives. The CDC was created as a one-stop shop to facilitate foreign direct investment.

¶27. Seeking to increase government revenue, the international financial institutions recommended that the Cambodian government scale back its investment incentives. Consequently, the Cambodian government amended the Law on Investment in 2003. The law creates regimes for profit (20 percent), salary (5 to 20 percent), withholding (4 to 15 percent), value-added (10 percent) and excise taxes (rates vary). While some incentives have been eliminated, the law provides a simplified, more transparent, and faster mechanism for investment approval.

¶28. Under the amended Law on Investment, the profit tax exemption is allocated automatically on the basis of activity and minimum investment amounts as set out in the sub-decree. To maintain the incentives under the law, qualified investment projects (QIP) are required to obtain an annual Certificate of Compliance from the CDC and file this with the annual tax return.

¶29. The amended Law on Investment includes the following provisions, which include the exemption, in whole or in part, of customs duties and taxes, for QIPs:
-- An exemption from the tax on profit imposed under the Law on Taxation for a set period. The tax exemption period is composed of a trigger period + three years + n years (a number of years determined according to the Financial Management Law and depending on the economic sector). The maximum allowable trigger period is to be the first year of profit or three years after the QIP earns its first revenue, whichever is sooner.
-- 100 percent exemption from import duties for construction material, production equipment and production input materials for export QIPs and supporting industry QIPs in accordance with the provisions of the sub-decree on the Implementation of the Amendment to the Law on Investment
-- Transfer of incentives by merger or acquisition.
-- Renewable land leases of up to 99 years on concession land for agricultural purposes and land ownership permitted to joint ventures

with over 50 percent equity owned by Cambodians.
-- No price controls on goods produced or services rendered by investors.
-- No discrimination between foreign and local investors.
-- 100 percent exemption from export tax or duty, except for activities specifically mentioned in the Law on Customs.
-- Employment of foreign expatriates where no qualified Cambodians are available. QIPs are entitled to obtain visas and work permits.
-- A QIP that is located in a designated special economic zone (SEZ) is entitled to the same incentives and privileges as other QIPs as stipulated in the law.

¶30. The September 2005 sub-decree on the Implementation of the Amendment to the Law on Investment also details investment activities that are not eligible for incentives, although investment is permitted. They include the following sectors: retail, wholesale, and duty-free stores; entertainment (including restaurants, bars, nightclubs, massage parlors, and casinos);

tourism service providers; currency and financial services; press and media related activities; professional services; and production and processing of tobacco and wood products.

¶31. Incentives are also not available for production of certain products with an investment of less than USD 500,000 such as food and beverages; textiles, garments and footwear; and plastic, rubber, and paper products. Investors are encouraged to refer to the sub-decree for details of other investment activities that are not eligible for incentives.

¶32. Investment activities that are eligible for customs duty exemption, but not eligible for the profit tax exemption, are telecommunication basic services; exploration of gas and oil, including supply bases for gas and oil activities; and mining.

¶33. Cambodia allows foreign lawyers to supply legal services with regard to foreign law and international law, and allows them to supply certain legal services with regard to Cambodian law in "commercial association" with Cambodian law firms. Cambodia's WTO General Agreement on Trade in Services (GATS) commitment defines "commercial association" as any type of commercial arrangement, without any requirement as to corporate form. Thus, there are no equity limitations on the practice of foreign and international law by foreign enterprises and there are no equity limitations on the formation of "commercial associations" under which foreigners may practice certain legal services with regard to Cambodian law.

¶34. Investors who wish to take advantage of investment incentives must submit an application to the Cambodian Investment Board (CIB), the division of the CDC charged with reviewing investment applications. Investors not wishing to apply for investment incentives, or who are ineligible, may establish their company simply by registering corporate documents with the Department of Legal Affairs of the Ministry of Commerce. Once an investor's application is submitted, the CDC will issue to the applicant either a Conditional Registration Certificate or a Letter of Non-Compliance within three workdays. The Conditional Registration Certificate will set out the terms, such as approvals, authorization, clearances, permits or registrations required. If the CDC fails to issue the Conditional Registration Certificate or Letter of Non-Compliance within three workdays, then the Conditional Registration Certificate will be considered approved.

¶35. The CDC has the responsibility to obtain all of the licenses from relevant government agencies on behalf of the applicants. The relevant government agencies must issue the required documents no later than 28 workdays from the date of the Conditional Registration Certificate. At the end of the 28 days, the CDC will issue a Final Registration Certificate.

¶36. The Sub-decree on the Implementation of the Amendment of the Law on Investment adopted on September 27, 2005 does not require investors to place a deposit guaranteeing their investment except in cases in which the deposit is required in a concession contract. Investors who wish to apply are required to pay an application fee of seven million riel (approx. USD 1,750) representing the administration fees for securing the approvals, authorizations, licenses, or registrations from all relevant ministries and entities including stamp duty.

¶37. Under a 2008 sub-decree, the CDC is required to submit investment proposals to the Council of Ministers for approval with an investment capital of USD 50 million or more; involve

politically sensitive issues; involve the exploration and the exploitation of mineral or natural resources; may have a negative impact on the environment; have long-term strategy; or, involve infrastructure concessions.

¶38. After receiving several billion dollars of real estate development proposals, the Ministry of Economy and Finance (MoEF) proposed new regulations in July 2008 to protect consumers from fraud. The proposed rules require all developers to obtain licenses from an Inter-Ministerial Task Force, purchase construction site

insurance, and deposit two percent of total project costs in a non-interest bearing MoEF account at the National Bank of Cambodia. License fees and the period of the license would be determined by the type and size of development. It also requires developers to create a housing development account at a commercial bank into which buyers can make down payments on units. Developers would need approval from an inter-ministrerial working group to access the account, and the working group can intervene if the company fails to honor its contracts. The rule was originally slated to take effect from September 30, 2008 but was postponed amid complaints from international developers. After receiving support from the Prime Minister at the Government-Private Sector Forum in November 2008, the MoEF intends to reintroduce the regulations in early 2009.

Right to Private Ownership and Establishment

¶39. There are no limits on the rights of foreign and domestic entities to establish and own business enterprises or to compete with public enterprises. However, the Constitution provides that only Cambodian citizens or legal entities have the right to own land. A legal entity is considered to be Cambodian when at least 51 percent of its shares are owned by Cambodian citizen(s) or by Cambodian legal entities. Investment incentives vary depending on the nature of the investment project.

¶40. Under the 2001 Land Law, foreign investors may secure control over land through concessions, long-term leases, or renewable short-term leases. If investors intend to take a long-term lease interest in land or ownership interest through a 51 percent Cambodian company, it is essential that caution be exercised to ensure that clear and unencumbered ownership of the land is verified.

¶41. The Land Law establishes a comprehensive legal framework for long-term leasing. The leaseholder has a contractual interest in the land, which means the lease can be sold or transferred through succession and can be pledged as security in order to raise financing. It is also important to make sure that the land ownership is clearly and legally established before entering into any leasing agreement.

¶42. Qualified investors approved by the Council for the Development of Cambodia have the right to own buildings built on leased property. However the law is unclear as to whether buildings from qualified projects can be transferred between foreign investors or whether foreign investors can own buildings built through projects not approved by the CDC. To remove the ambiguity, several real estate developers and members of the legal community are urging the government to issue formal regulations for foreign ownership rights on buildings such as apartments and condominiums.

Protection of Property Rights

¶43. Cambodia has adopted legislation concerning the protection of property rights, including the Land Law and the Law on Copyrights and Law on Patent and Industrial Design. Cambodia is a member of the World Intellectual Property Organization (WIPO) and the Paris Convention for the Protection of Industrial Property.

¶44. Chattel and real property: The 2001 Land Law provides a framework for real property security and a system for recording titles and ownership. Land titles issued prior to the end of the Khmer Rouge regime in 1979 are not recognized due to the severe dislocations that occurred during the Khmer Rouge period. The government is making efforts to accelerate the issuance of land titles, but in practice, the titling system is cumbersome, expensive, and subject to corruption. The majority of property owners lack documentation proving ownership. Even where title records exist, recognition of legal title to land has been a problem in some court cases where judges have sought additional proof of

ownership. Although foreigners are constitutionally forbidden to own land, the 2001 law allows long or short-term leases to

foreigners.

¶45. Intellectual property rights (IPR): As a WTO member, Cambodia's IPR regime is in compliance with its WTO commitments; however, comprehensive enforcement remains problematic. The 1996 U.S.-Cambodia Trade Agreement contained a broad range of IPR protections, but given Cambodia's very limited experience with IPR, the WTO agreement granted phase-in periods for the Cambodian government to fully implement IPR protections. On November 9, 2005, the WTO granted a deadline extension until 2013 for Cambodia and other least developed countries to enforce copyright laws and begin accepting patents.

¶46. In a significant step toward consolidating IPR policy-making, enforcement and technical assistance, the Council of Ministers created the National Committee for Intellectual Property Management on September 18, 2008 with its secretariat within the Ministry of Commerce. Once operational, this committee will develop national policy on intellectual property, strengthen interagency cooperation, prepare and disseminate new laws and regulations, and act as a clearinghouse for technical assistance relating to the intellectual property sector. This new interagency IPR committee chaired by the Minister of Commerce includes a broad range of IPR actors including representatives from the Council of Ministers and the Ministries of Industry Mines and Energy; Culture and Fine Arts; Interior; Economy and Finance; Posts and Telecommunications; Health; Agriculture, Forestry and Fisheries; Environment; Justice; Education; and Tourism.

¶47. Trademarks: The Cambodian National Assembly approved the Law Concerning Marks, Trade Names and Acts of Unfair Competition to comply with Cambodia's WTO obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Signed in February 2002, the law outlines specific penalties for trademark violations, including jail sentences and fines for counterfeiting registered marks. It also contains detailed procedures for registering trademarks, invalidation and removal, licensing of marks, and infringement and remedies.

¶48. Despite lacking clear legal authority to conduct enforcement activities, the Ministry of Commerce has taken effective action against trademark infringement in several cases since 1998. The Ministry has ordered local firms to stop using well-known U.S. marks, including Pizza Hut, McDonalds, Nike, Scotties, Marlboro, Seven Eleven, and Pringles. In 2008, the Ministry of Commerce resolved 12 cases of trademark infringements.

¶49. Since 1991, the Ministry of Commerce has maintained an effective trademark registration system, registering more than 30,000 trademarks (nearly 6,000 for U.S. companies) under the terms of a 1991 sub-decree, and has proven cooperative in preventing unauthorized individuals from registering U.S. trademarks in Cambodia.

¶50. Copyrights: Copyrights are governed by the Law on Copyrights and Related Rights, which was enacted in January 2003. Responsibility for copyrights is split between the Ministry of Culture and Fine Arts, which handles phonograms, CDs, DVDs, and other recordings, and the Ministry of Information, which deals with printed materials. Pirated CDs, videos, textbooks, and other copyrighted materials are widely available in Cambodian markets and used throughout the country. Before the adoption of the law, there were no provisions for enforcement of copyrights.

¶51. To protect and manage their economic rights, authors and related rights holders are allowed by law to establish a collective management organization (CMO). The creation of the CMO requires authorization from either the Ministry of Culture and Fine Arts or the Ministry of Information, depending on the nature of their work. The Ministry of Culture and Fine Arts hopes to draft a sub-decree on collective management in 2009. In mid-2007, the Ministry of Culture and Fine Arts created a Copyright Department which is gradually building capacity.

¶52. Patents and industrial designs: Cambodia has a very small industrial base, and infringement on patents and industrial designs is not yet commercially significant. With assistance from WIPO, the Ministry of Industry, Mines, and Energy (MIME) prepared a

comprehensive law on the protection of patents and industrial designs which went into force in January 2003. The law provides for

the filing, registration, and protection of patents, utility model certificates and industrial designs. The MIME issued a declaration in June 2006 on granting patents and registering industrial designs.

¶53. Encrypted satellite signals, semiconductor layout designs, and trade secrets: The Ministry of Commerce is preparing a draft law for trade secrets while the Ministry of Industry, Mines, and Energy is drafting a law on integrated circuit protection. Cambodia has not yet made significant progress toward enacting required legislation on encrypted satellite signals, although it obtained a model law on encrypted satellite signals and semiconductor layout designs from WIPO in March 1999. Cambodia has committed to the WTO to promulgate a law by 2009 but is unlikely to meet this goal.

¶54. IPR enforcement: With the exception of the trademark enforcement, the Cambodian government has taken few significant actions to enforce its IPR obligations. However, in January 2008, at the annual conference of the Ministry of Culture and Fine Arts, the government suggested it would increase prosecutions for copyright violations on domestically produced products before expanding prosecutions for foreign products. Cambodian copyright law allows IPR owners to file a complaint with the authorities to take action. Law enforcement action taken at the request of owners is directed against the piracy of domestically produced music or video products, but not against piracy of foreign optical media. The owners requesting crackdowns must pay support costs to the authorities for conducting the operation. Crackdowns on such IPR violations are not conducted on a consistent basis.

¶55. Infringement of IPR is pervasive, ranging from software, compact discs, and music, to photocopied books and the sale of counterfeit products, including cigarettes, alcohol, and pharmaceuticals. The Business Software Alliance recently estimated a 95 percent software piracy rate in Cambodia which cost the industry USD 47 million in 2007. Although Cambodia is not a major center for the production and export of pirated CDs, videos, and other copyrighted materials, local businesses report Cambodia is becoming an increasingly popular source of pirated material due to weak enforcement. The Ministry of Commerce has plans to put in place measures to stop IPR-violated products at borders, as post-inspection mechanisms are unlikely to be effective. During the TIFA discussions in November 2007, Cambodia requested technical assistance for a draft Sub-decree on Border Measures detailing procedures at the borders allowing IPR owners to file an application with customs to suspend clearance of suspected counterfeit goods.

Transparency of the Regulatory System

¶56. There is no pattern of discrimination against foreign investors in Cambodia through a regulatory regime. Numerous issues of transparency in the regulatory regime arise, however, from the lack of legislation and the weakness of key institutions. Investors often complain that the decisions of Cambodian regulatory agencies are inconsistent, irrational, or corrupt.

¶57. The Cambodian government is still in the process of drafting laws and regulations that establish the framework for the market economy. In addition to existing laws and regulations, in 2008, the government adopted the Law on Civil Aviation and the Law on Plant Breeder Rights. A commercial contract law and other important business-related laws such as commercial court, e-commerce, telecommunications, and personal property leasing laws are in draft or still pending promulgation.

¶58. Cambodia currently has no anti-monopoly or anti-trust statutes. On a practical level, Cambodia has indicated a desire to discourage monopolistic trading arrangements in most sectors.

¶59. Cambodia is currently working on the establishment of standards and other technical measures based on international practice,

guidelines, and recommendations. Under the Law on Standards in Cambodia, passed in 2007, the Institute of Standards in Cambodia (ISC) was created within the Ministry of Industry, Mines, and Energy (MIME) as a central authority to develop and certify national standards for products, commodities, materials, services, and practices and operations. When fully functional, the ISC will serve as the secretariat of the National Standards Council which will consist of representatives from various government ministries, state-controlled academic/research institutions, the private sector, and a consumer representative created to advise as well as approve

standards.

¶60. The responsibility for establishing industrial standards and certifications currently resides with the Department of Industrial Standards of Cambodia of MIME which will become part of the Institute of Standards of Cambodia in the future. The ISC has been assigned as the focal point for technical barriers to trade (TBT) and as the agency responsible for notifications and publications required by the WTO TBT Agreement. The Ministry of Health is charged with prescribing standards, quality control, distribution and labeling requirement for medicines, but this responsibility will be brought under the ISC in the future.

¶61. Quality control of foodstuffs, plant and animal products is currently under the Department of Inspection and Fraud Repression (CamControl) of the Ministry of Commerce. Cambodia is a member of the Codex Alimentarius Commission. Currently CamControl is the national contact point for Codex Alimentarius. Its primary responsibility is the enforcement of quality and safety of products and services relating to sanitary and phytosanitary (SPS) measures.

¶62. The Cambodian Constitution and the 1997 Labor Code provide for compliance with internationally recognized core labor standards. The law authorizes the Ministry of Labor and Vocational Training to set health, safety and other conditions for the workplace. (The "Labor" Section of this report discusses the labor situation in more detail.)

¶63. The National Bank of Cambodia supervises Cambodia's banks and financial institutions while the Ministry of Economy and Finance regulates the insurance industry. The insurance market in Cambodia is relatively new, but has recently begun to gain credibility and expand its scope. Currently, there are a few major insurance companies operating here such as Asia Insurance, the state-owned insurance company Caminco, Forte Insurance, and Infinity Insurance.

¶64. To help Cambodian businesses stay competitive in the world market, the government introduced specific measures to facilitate business, in particular exports, by attempting to reduce informal costs and streamline bureaucratic hurdles. Measures included: (1) introduction of a joint inspection by CamControl and the Customs and Excise Department and issuance of a common inspection report valid for both agencies and the "Federal Office" in order to reduce the amount of time spent applying for goods inspection; (2) based on this common report, MIME and the Ministry of Commerce will issue the Certificate of Processing (CP) and the Certificate of Origin (CO), respectively; (3) reduction of the costs of registration from USD 615 to USD 177 and of the time limit for Cambodian government issuance of registration from 30 days to ten and a half working days; and (4) reduction of time required to acquire documents related to the CO and exports and for goods inspection.

¶65. Cambodia has renewed its commitment to creating a favorable environment for investment and trade. During the Trade and Investment Framework Agreement (TIFA) discussions in November 2007, the government further committed to reducing unofficial fees and costs related to imports and exports.

Efficient Capital Markets and Portfolio Investment
-- -----

¶66. Cambodia is moving to address the need for capital markets. In November 2006, the National Assembly passed legislation to permit the government to issue bonds and use the capital to make up budget

deficits. The Budget Law for 2007 permitted the government to issue bonds worth USD 250,000. However no 2007 bonds were sold to investors and Prime Minister Hun Sen mentioned in 2008 that the government does not plan to issue bonds in the near future. In 2007, the government also passed the Law on the Issuance and Trading of Non-government Securities, and, in partnership with the Korean Stock Exchange, plans to establish a stock market by the end of ¶2009.

¶67. The Cambodian government does not use regulation of capital markets to restrict foreign investment. Domestic financing is difficult to obtain at competitive interest rates. A new law addressing secured transactions, which includes a system for registering such secured interests, was promulgated in May 2007. Most loans are secured by real property mortgages or deposits of cash or other liquid assets, as provided for in the existing contract law and land law.

¶68. The total assets of Cambodia's banking system as of July 2008 were approximately USD 4 billion, an increase of nearly 50 percent from the end of 2005. Loans account for about 56 percent of the banking system's assets. Nonperforming loans have fallen to historic lows, between 2 - 4 percent, likely due to dramatic increases in property values through mid-2008, but banking experts predict an increase in future nonperforming loans as property prices decline. As of July 2008, credit granted by the commercial banks amounted to USD 2.2 billion. Loans made to services and the wholesale and retail sectors accounted for over 50 percent of total loans.

¶69. The banking sector has shown significant improvement, but requires continued progress to gain international confidence. Under the amended Law on Banking and Financial Institutions, all of Cambodia's commercial banks had to reapply for licenses from the NBC and meet new, stricter capital and prudential requirements by the end of 2001. As a result, there was a significant shakeout and consolidation within the banking sector with the closure and liquidation of 12 banks. Since the shakeout, Cambodian banks have gradually increased in number with 25 commercial banks in operation as of January 2009. As a supplement to commercial banking, six specialized banks and seventeen microfinance institutions also offer financial services to the public. In September 2008, the National Bank of Cambodia moved to slow the rapid growth in the number of commercial banks, which increased by more than 20 percent in the first nine months of 2008, giving commercial banks without an investment grade shareholder until the end of 2010 to triple minimum capital from USD 12.5 million to USD 37.5 million. In January 2008, Cambodia's banks were given their first-ever risk assessment from Standard & Poor's. Their placement was alongside that of banks in Venezuela, Bolivia, Ukraine, and Jamaica.

Political Violence

¶70. Cambodia is relatively peaceful compared to its pre-UNTAC history. Election-related violence has decreased in each national election held at five-year intervals since 1993. Cambodia's 2007 commune council elections followed by the July 2008 National Assembly election had little of the pre-election violence or intimidation that preceded the 2002 and 2003 elections. The 2007 and 2008 polls resulted in clear victories for the Cambodian People's Party, with the Sam Rainsy Party emerging as the main opposition party.

¶71. Cambodian political activities have turned violent in the past, and the possibility for politically motivated violence remains. In November 2000, an anti-government group based in the U.S. led an attack against government buildings in Phnom Penh. During the anti-Thai riots in 2003, the Royal Embassy of Thailand and Thai-owned commercial establishments were attacked. In November 2006, police arrested six people for allegedly plotting to conduct bomb attacks in Phnom Penh during the Water Festival.

¶72. On July 29, 2007, three improvised explosive devices (IEDs)

were planted at the Vietnam-Cambodia Friendship Monument in Phnom Penh. One of the IEDs partially exploded, but the others failed to detonate and were recovered by Cambodian authorities. No one was injured. On January 2, 2009, two undetonated IEDs were found near the Ministry of National Defense and state-owned TV3. While there is no indication these incidents were directed at U.S. or other Western interests, the possibility remains that further attacks could be carried out.

¶73. Following the July 2008 UNESCO World Heritage Site listing of the Preah Vihear Temple, thousands of Thai and Cambodian soldiers amassed in various areas along the Thai-Cambodian border, particularly near the disputed Preah Vihear temple area. Soldiers clashed October 15, 2008 near the temple resulting in deaths on both sides, but the outbreak of violence was isolated and lasted only a few hours.

Corruption

¶74. Despite increasing investor interest, Cambodia continues to rank poorly on global surveys of competitiveness and corruption. The World Economic Forum's 2008 competitiveness survey ranked Cambodia 109 out of 134 countries surveyed, slightly better than its 2007 rating of 110 out of 131. The World Bank also ranked Cambodia in the lower half of the list, 134 of 181, on business climate. The

2007 Transparency International Global Corruption Barometer ranked Cambodia second-worst in corruption with 72 percent of those surveyed reporting that they paid a bribe to receive a service in the previous 12 months.

¶75. Business people, both local and foreign, have identified corruption, particularly within the judiciary, as the single biggest deterrent to investment in Cambodia. Corruption was cited by a plurality of respondents to the World Economic Forum survey as the most problematic factor for doing business in Cambodia. A 2007 USAID-funded survey of the Phnom Penh Chamber of Commerce also found that corruption is considered to be the main obstacle for doing business.

¶76. Public sector salaries range from USD 25-60 per month for working level officials, and around USD 2000 per month for high-ranking officials. Although there has been a recent salary increase of 15 percent for some officials, these wages are far below the level required to maintain a suitable quality of life in Cambodia, and as a result, public employees are susceptible to corruption and conflicts of interest. Local and foreign businesses report that they must often pay extra facilitation fees to expedite any business transaction. Additionally, for those seeking to enter the Cambodian market, the process for awarding government contracts is not transparent and is subject to major irregularities.

¶77. Current Cambodian laws and regulations and their application are insufficient to address the problem of corruption. Laws dating from the UNTAC period (1991-93) against embezzlement, extortion, and bribing public officials exist, but are enforced rarely, often for political reasons.

¶78. Cambodia is not a signatory to the OECD Anti-Bribery Convention, but has endorsed the ADB/OECD Anti-Corruption Action Plan for Asia and the Pacific. In 2007, the government signed a regional anti-corruption pact with eight other ASEAN countries, and in September of the same year, also signed the UN Convention Against Corruption. Cambodia is considering joining the Extractive Industries Transparency Initiative governing the oil sector.

¶79. After a draft national anti-corruption law was sent to the National Assembly but not voted on in 2003, the Cambodian government undertook to revise the draft with cooperation from local and international NGOs, and international donors. The draft, which is still pending, falls short of international standards due to limited independence of the proposed anti-corruption body and weak declaration of assets provisions.

¶80. Cambodia is under increasing pressure from donors to address the issue of good governance in general, and corruption in particular. In a draft action plan on good governance presented to donors in May 2000, Cambodia promised to pass anti-corruption legislation by late 2001. After missing the first deadline, the government again promised to pass anti-corruption legislation by July 2003. In the December 2004 Consultative Group (CG) meeting of development assistance agencies, donors established a benchmark to have a new anti-corruption law submitted to the National Assembly before the next CG meeting, which was held June, 2006. However, this deadline was not met and donors have become increasingly frustrated with the government's failure to act. The passage of new anti-corruption legislation is reportedly a high priority for the fourth mandate government.

¶81. The Ministry of National Assembly-Senate Relations and Inspection (MONASRI) has an anti-corruption mandate, but is largely inactive. In 2007, however, MONASRI, with technical assistance from USAID, created a draft Access to Information Policy. The draft has yet to be forwarded to the Council of Ministers. The government also created an anti-corruption commission within the cabinet in late 1999, which has undertaken a few investigations, one of which resulted in the dismissal of a mid-level official in late 2001. Also in 2001, the government established a National Audit Authority, which has been ineffective because of its secrecy and lack of independence.

¶82. Ignoring the existing anti-corruption commission, the government established the Anti-Corruption Unit (ACU) in August 2006, a temporary body designed to address corruption until the anti-corruption legislation is passed. The mission of the ACU is to focus on preventing corruption, strengthening law enforcement, and obtaining public support for combating corruption. The first investigation of ACU resulted in the arrest of five illegal car

importers and 39 officials; 10 mid-level officials have been removed from their positions. Other investigations are underway. However the ACU is considered to be ineffective because of its lack of independence and capacity.

¶83. In its most comprehensive reform strategy, the Rectangular Strategy Phase II, adopted as the government platform in 2008 after phase I in 2004, the Cambodian government once again renewed its commitment to fight corruption and make good governance the centerpiece of reform. The strategy acknowledges the importance of taking action against corruption, but the challenge remains a daunting and long-term one that will require political will at the highest levels of the government.

Bilateral Investment Agreements

¶84. Cambodia has signed bilateral investment agreements with China, Croatia, Cuba, the Czech Republic, France, Germany, Indonesia, Kuwait, Japan, Laos, Malaysia, the Netherlands, North Korea, the Organization of the Petroleum Exporting Countries (OPEC), Pakistan, the Philippines, Singapore, South Korea, Switzerland, Thailand, and Vietnam. Future agreements with Algeria, Burma, Egypt, Russia, the United Kingdom, and Ukraine are planned. The agreements provide recproical national treatment to investors, excluding benefits deriving from membership in future customs unions or free trade areas and agreements relating to taxation. The agreements preclude expropriations except those that are undertaken for a lawful or public purpose, are non-discriminatory, and are accompanied by prompt, adequate and effective compensation at the fair market value of the property prior to expropriation. The agreements also guarantee repatriation of investments and provide for settlement of investment disputes via arbitration.

¶85. In addition, in July 2006, Cambodia signed a Trade and Investment Framework Agreement (TIFA) with the United States, which will promote greater trade and investment in both countries and provide a forum to address bilateral trade and investment issues. Two very successful meetings were held under the TIFA in 2007 in which the U.S. and Cambodian governments discussed WTO accession

requirements, trade facilitation and economic development initiatives, and progress on intellectual property rights. In 2008, several bilateral working level meetings were held to advance the TIFA agenda.

OPIC and Other Investment Insurance Programs

¶86. Cambodia is eligible for the Quick Cover Program under which the Overseas Private Investment Corporation (OPIC) offers financing and political risk insurance coverage for projects on an expedited basis. With most investment contracts written in U.S. dollars, there is little exchange risk. Even for riel-denominated transactions, there is only one exchange rate, which is fairly stable.

¶87. Cambodia is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, which offers political-risk insurance to foreign investors.

Labor

¶88. The country has an economically active population (defined as being ten years of age and older) of some 7.8 million people out of a population of 13.4 million. According to the EIC, the labor participation rate was 70 percent in 2008. While government statistics are somewhat higher, they do not fully capture the problems of unemployment and underemployment in Cambodia.

¶89. The economy is not able to generate enough jobs in the formal sector to handle the large number of entrants to the job market. This dilemma is likely to become more pronounced over the next decade. Cambodia suffers from a large demographic imbalance. According to the 2004 Intercensal Population Survey (CIPS), persons 20 years of age or younger account for 53 percent of the total population. As a result, over the next decade at least 275,000 new job seekers will enter the labor market each year.

¶90. Approximately 65 - 70 percent of the labor force is engaged in subsistence agriculture. At the end of 2008, about 337,000 people, the majority of whom are women, were employed in the garment sector,

with 300,000 Cambodians employed in the tourism sector, and a further 50,000 people in construction.

¶91. The 2008-2009 Global Competitiveness Report of the World Economic Forum identified an inadequately educated workforce as one of the most serious problems in doing business in Cambodia. Given the severe disruption to the Cambodian education system and loss of skilled Cambodians during the 1975-79 Khmer Rouge period, workers with higher education or specialized skills are few and in high demand. A Cambodia Socio-Economic Survey conducted in 2004 found that about 12 percent of the labor force has completed at least an elementary education. Only 1.2 percent of the labor force completed post-secondary education.

¶92. Overall literacy, for those aged fifteen and over, is 74 percent with male literacy rates considerably higher than those for females in both urban and rural areas. Many adults and children enroll in supplementary educational programs, including English and computer training. Employers report that Cambodian workers are eager to learn and, when trained, are excellent, hardworking employees.

¶93. Cambodia's 1997 labor code protects the right of association and the rights to organize and bargain collectively. The code prohibits forced or compulsory labor, establishes 15 as the minimum allowable age for paid work, and 18 as the minimum age for anyone engaged in work that is hazardous, unhealthy or unsafe. The statute also guarantees an eight-hour workday and 48-hour work week, and provides for time-and-a-half pay for overtime or work on the employee's day off. The law gives the Ministry of Labor and Vocational Training (MOLVT) a legal mandate to set minimum wages after consultation with the tripartite Labor Advisory Committee. In

January 2007, the minimum wage for garment and footwear workers was officially set at USD 50 per month. In April 2008, a temporary USD 6 per month cost of living allowance was instituted to offset high levels of inflation. There is no minimum wage for any other industry. To increase competitiveness of garment manufacturers, the labor code was amended in 2007 to establish a night shift wage of 130 percent of day time wages.

¶94. Acleda Bank, a local commercial bank, is currently managing Cambodia's first National Social Security Fund (NSSF), which protects workers against occupational risks and workplace accidents. The fund was established by sub-decree in 2007 and requires employers to contribute 0.8 percent of each employee's salary to the NSSF. As of October, 2007, approximately 250,000 workers, most from the garment sector, contribute to the fund through their employer. A second phase of the fund, to be implemented in 2010, will focus on health care for employees, followed by pensions in 2012.

¶95. Enforcement of many aspects of the labor code is poor, albeit improving. Labor disputes can be problematic and may involve workers simply demanding conditions to which they are legally entitled. In labor disputes in which workers complain of poor or unhealthy conditions, MOLVT and the Ministry of Commerce have ordered the employer to take corrective measures. The U.S. Government, the ILO, and others are working closely with Cambodia to improve enforcement of the labor code and workers' rights in general. The U.S.-Cambodia Bilateral Textile Agreement linked Cambodian compliance with internationally recognized core labor standards with the level of textile quota the U.S. granted to Cambodia. While the quota regime ended on January 1, 2005, a "Better Factories" program attempts to build on the labor standards established.

¶96. For the past few years, Cambodia has enjoyed high economic growth and low inflation of approximately 4-6 percent, keeping inflation-driven wage increases in check. However, the early part of 2008 saw inflation skyrocket, driven in part by high oil and food prices. After peaking in May, inflation has slowly been declining to about 18 percent in November, year-on-year. Experts suggest the increase in the cost of living insufficiently compensated by the recent USD 6 cost of living allowance has led to a recent shortage of workers willing to work in the garment industry.

Foreign Trade Zones

¶97. To facilitate the country's development, the Cambodian government has shown great interest in increasing exports via geographically defined special economic zones (SEZs), with the goal of attracting much-needed foreign direct investment.

¶98. Cambodia has yet to pass the Law on Industrial Zones which will define SEZs and establish the rules under which they will operate. The law is currently being drafted by the Council for the Development of Cambodia and may be submitted for approval of the Council of Ministers in 2009.

¶99. In late December 2005, the Council of Ministers passed a sub-decree on Establishment and Management of Special Economic Zones to speed up the creation of the zones. The sub-decree details procedures, conditions and incentives for the investors in the zone.

¶100. Since issuing the sub-decree, the Cambodia Special Economic Zones Board (CSEZB) has approved 19 SEZs, located near the borders of Thailand and Vietnam, Phnom Penh, Kampot, and at Sihanoukville.

Foreign Investment Statistics

¶101. Foreign Direct Investment (FDI) proposals approved by the Council for the Development of Cambodia (CDC) have dramatically increased in recent years, with approved FDI reaching USD 10.9 billion in 2008, compared with USD 201 million in 2004. FDI

registered capital however, has been modest since 1995, with an average inflow of USD 304 million in the period 1995-2008. The FDI registered capital figures probably understate actual investment, since they report only registered capital and not fixed assets. CDC statistics for fixed assets, however, are based on projections, and the CDC has no effective monitoring mechanism to determine the veracity of the numbers. The FDI registered capital flow into Cambodia is uneven and gradually declined from USD 135 million in 1999 to USD 30 million in 2003. FDI registered capital increased to USD 260 million in 2008.

¶102. Total FDI registered capital flows into Cambodia for the years 1995-2008 are presented in the table below, in USD million. (Source: CDC) (Note: statistics from the National Bank of Cambodia differ significantly from CDC's figures.)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
351	294	320	135	74	81	50	30	45	383	209	473	260

¶103. Figures from the CDC for registered capital of approved projects, including domestic investment, and broken down by country of origin and economic sector, are provided below. The FDI registered capital figures below may overstate investment because they include projects that have not yet been, or may never be, fully implemented and retention of dormant or defunct projects from earlier years makes the investment figures appear higher.

¶104. Total cumulative registered investment projects approved, by country of origin, August 1994 to December 2008 (source: CDC)

Country	USD million	Pct.
Malaysia	1,736	32.79
Cambodia	1,509	28.50
China	569	10.27
Taiwan	400	7.56
Thailand	206	3.89
Singapore	194	3.67
South Korea	165	3.12
U.K.	130	2.46
USA	70	1.32
Vietnam	61	1.15
Indonesia	54	1.02
Australia	54	1.02
France	40	0.76
Japan	23	0.43
Other	82	1.55
Total	5293	

¶105. Total cumulative registered investment capital by sector, from January 1998 to December 2008 (source CDC)

Sector	USD million	No. of Projects
Industry	1,482.0	699
- Food Processing	91.5	12
- Garments	449.4	401
- Petroleum	203.0	5
- Wood Processing	98.3	15
- Footwear	27.8	21
Agriculture	177.1	74
Services	338.8	78
- Construction	63.6	14
- Telecommunications	92.5	15
Tourism	434.4	88
Total	2432.4	

¶106. New investment projects in USD million, by country of origin,1998-2008(source: CDC)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008

Malaysia	22.6	17	1.6	28	na	3.6	7.8	10.6	2.5	19.8	1.0
Cambodia	110	98	28	47	21	44	15	78.5	116.8	264.3	99.8
USA	2.3	4.4	3.7	5.2	na	na	2.1	2.2	4.3	6.5	12.3
Taiwan	79	29	16	35.6	5	1	4.6	4.1	16.4	14	9.5
Singapore	12	2.3	3.1	na	10	3.3	1.6	5.3	3.8	1	12
China	75	36	3.9	4.2	8	14	24	38	28.3	40.4	37.9
South Korea	4.0	na	10	2	7.6	1	4.1	16	4.5	22.0	19.5
Hong Kong	48	22	4	0.7	1	1	na	0.3	1.5	0.6	na
France	0.6	0.6	3	na	na	1.7	0.6	0.4	na	0.3	2.3
Thailand	53	16	17	3.1	na	3.1	2.0	15	10.0	13.8	30.6
U.K.	0.4	1.5	6.5	1.5	0.4	0.5	1.5	1	1	1.5	1
Canada	2.1	0.2	1	na	2.2	na	1.7	0.6	1.5	na	4.8
Indonesia	10	0.4	3	na	na	na	na	na	na	na	na
Australia	1.4	0.02	0.8	na	na	0.6	na	7	na	3.5	1
Japan	2	2.1	0.2	na	1.2	na	0.7	na	1	7.5	4.6
Other	8.3	2.8	1.3	1.7	13.6	na	na	na	8.1	78.5	4.1
Total	430	233	103	129	69	74.3	66	379	209.7	473.7	259.9

¶107. New investment projects in USD million, by sector, 1998-2008 (source: CDC)

Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Industry	298	101	48	61	22.5	41	53.5	325	173.4	269.9	90
- Food Processing	8.0	2.4	27	1.5	na	1.6	1	na	22	24	4
- Garments	91.6	49.5	28	17	12.6	42	19	54	41.9	45.1	49
- Petroleum	1	1	na	na	na	na	1	200	na	na	na
- Wood Processing	92	na	na	1	1	1.3	1	na	na	2.0	na
- Mining	5	na	na	na	na	2	na	30	1	149	4
Agriculture	44	31.3	8.5	1	6.2	2.0	2.0	4.0	2.0	50.1	26
Services	22.1	55	10	5.2	18	5.5	5	32	16.3	127.2	43
- Construct	1.2	16.4	na	na	na	na	3.0	31	6.0	5	1
- Telecom	13.4	22	na	na	2.9	10	na	na	na	42.2	2
- Infrastructure	2	na	na	1.5	4.1	na	na	na	na	65	na
Tourism	67	45.5	36.5	61	22	26	5.5	18	18	33.5	101
Total	430	233	103	129	69	74	66	379	210	473	261

¶108. The CDC has registered approximately USD 70 million in U.S. investment since August 1994. Caltex has a chain of service stations and a petroleum holding facility in Sihanoukville; Crown Beverage Cans Cambodia Limited, a part of Crown Holdings Inc., produces aluminum cans; and Chevron is actively exploring offshore petroleum deposits. There are also U.S. investors in a number of Cambodia's garment factories.

¶109. In 2008, several Cambodia-focused private equity funds emerged seeking to raise between USD 100 and USD 500 million each for investments in infrastructure, agriculture, tourism, and real estate development, among other sectors. However it appears the global economic slowdown is limiting fund-raising abilities, and widespread investments by these funds have not yet materialized.

¶110. Major non-U.S. foreign investors include Asia Pacific Breweries (Singapore), Asia Insurance (Hong Kong), ANZ Bank (Australia), BHP Billiton (Australia), Oxiana (Australia), Infinity Financial Solutions (Malaysia), Total (France), Cambodia Airport Management Services (CAMS) (France), Samart Mobil Phone (Malaysia), Shinawatra Mobile Phone (Singapore), Thakral Cambodia Industries

(Singapore), Petronas Cambodia (Malaysia), Charoeun Pokphand (Thailand), Siam Cement (Thailand), and Cambrew (Malaysia).

¶111. Since 2007, several well-known U.S. companies opened or upgraded their presence in Cambodia. General Electric opened a representative office in July 2007. In 2008, Cargill and Dupont established representative offices. Otis Elevators, a division of United Technologies, also upgraded to a branch office, and Mircosoft

initiated a presence through its Market Development Program.

¶112. Some major local companies and their sectors are: Sokimex (petroleum, tourism, garment), Royal Group of Companies (mobile phone, telecommunication, banking, insurance), AZ Distribution (construction, telecommunication), Mong Rethy Groups (construction, agro-industry, rubber and oil palm plantation), KT Pacific Group (airport project, construction, tobacco, food and electronics distribution), Hero King (cigarettes, casinos and power), Anco Brothers (cigarettes, casinos and power), Canadia Bank (banking and real estate), Acleda Bank (microfinance), and Men Sarun Import and Export (agro-industry, rice and rubber export).

¶113. In January 2008, Acleda Bank announced it obtained permission to operate in Laos, and the bank has plans for further expansion into Vietnam and China. Statistics on Cambodian investment overseas are not available, but such investments are likely minimal.
RODLEY